STATEMENT FOR THE RECORD

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COLORCRAFT

and

THE PRINTING INDUSTRIES OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

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"Small Businesses and the Estate Tax: Identifying Reforms to Meet the Needs of Small Firms and Family Farmers"

INTRODUCTION

Chairwoman Velazquez, Ranking Member Graves, and members of the Committee, good afternoon and thank you for inviting me to testify today.

My name is Meredith Mayes and I work as a Digital Solutions Manager at ColorCraft of Virginia, a commercial printing company. I represent the second generation of the company. My father, Jim Mayes, acquired ColorCraft in 1986 and grew it from a 23 employee shop to one with nearly 75 employees at its peak.

We currently employ 51 workers, including my mother, who – in the traditional "mom & pop" sense of small business – oversees the company's accounting.

Through all of the ups and downs, our company has always remained true to its "family atmosphere." Our longest serving employee has been with us for 23 years. We know that this term is more than just company culture, it's a commitment to jobs and growth for our family and for those families who depend on ColorCraft for their livelihoods. That's why the estate tax is a tremendous concern for us and for thousands of printers across the country.

FAMILY-OWNED PRINTING COMPANIES

According to the Printing Industries of America, of which ColorCraft is a proud member, six out of 10 printing companies are family-owned. In total, there are approximately 17,000 family-owned plants in the U.S. and they employ close to 600,000 workers. The uncertain future of the estate tax is top of mind for nearly all of these firms.

ISSUES SURROUNDING ESTATE TAX

At ColorCraft, I've watched my father spend numerous hours and dollars attempting to ensure the longevity of a company he works so hard to keep afloat and growing. Annually, we spend $5,000 on estate tax planning. All told, we've spent $730,000. Our company would <u>much</u> rather have reinvested that $730,000 to fund sales training, technical education and debt reduction – all of which would benefit the entire ColorCraft family and the jobs we provide.

On that note, job creation should definitely be part of an estate tax discussion. The printing industry has lost 73,000 jobs since mid-2008. Family-owned small businesses are critical to the revival of our economy and an estate tax that soaks up financial resources and negatively impacts job creation is very troubling. This is especially true as a 2006 Joint Economic Committee report stated that the revenue raised by the death tax amounts to only 1.2 percent of total federal revenues.

There are non-economic costs to the estate tax, too. Small businesses are known for community service – and, trust me, a local printer is often the first stop for every local club, school and charity seeking an in-kind donation! For instance, ColorCraft supports local educational programs, including Head Start and Monroe Technology Center in Leesburg, Virginia. An estate tax that threatens small business survival also threatens non-profit and community support.

SOLUTIONS

So what can Congress do to ensure that the estate tax doesn't continue to be an albatross on small printers' necks as we seek to survive and grow? In my opinion, a full, outright, and permanent repeal of this tax is the best solution. The next best case scenario is permanent reform.

One reform idea is the Estate Tax Relief Act of 2009 introduced by Rep. Shelley Berkley and others, which would phase-in the estate tax exemption levels over ten years to $5 million while also decreasing the tax rate to 35 percent. This particular adjustment of exemption levels and rates if indexed for inflation and made permanent would relieve approximately 80 percent of family-owned printers from both the destructive planning and payment of the estate tax. This approach is one our industry would welcome and support, though a higher starting exemption level and a shortened time-frame would provide more practical relief.

I would add a note of caution regarding top exemption levels. I urge Congress to be mindful that capital intensive industries like printing have non-cash assets that add up very quickly in spite of depreciation schedules. For example, our most recent equipment purchase was a printing press at $3.8 million. Additionally, many family-owned printers strive to <u>own</u> rather than <u>lease</u> their plants, which also adds to the estate tax calculation. What may <u>sound</u> like a lot of money on paper doesn't always translate to cash on hand.

CONCLUSION

As stated previously, I manage the digital printing side of my family's business. My father and many of his generational peers have an expertise in traditional ink-on-paper printing, an area of the industry that is expected to have less than one percent annual sales growth between now and 2020. In contrast, digital printing is expected to have 133 percent sales growth by 2020. As I network with second- and third-generation printers across the country, many of us are driving the digital expertise – and, therefore, driving the future growth of the entire industry. My generation wants the chance to lead our family-owned businesses into the future. I hope fervently that Congress will act upon the problem of the estate tax issue to allow ColorCraft and other printers to continue growing, succeeding and reaching our full potential.

Again, thank you for holding today’s hearing and for inviting me to testify.

I look forward to answering any questions you may have.